



Alliance of Western Milk Producers

Representing California's dairy cooperatives and their producer-owners since 1991

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September 15, 2004

David Ikari, Branch Chief
Dairy Marketing Branch
California Department of Food & Agriculture
1220 N Street
Sacramento, CA 95814

Subject: Land O'Lakes Class 4b Hearing Request

Dear Mr. Ikari:

The Department has received a request from Land O'Lakes (LOL) for a hearing to make adjustments to the Class 4b and Class 4a price formulas. The Alliance membership is opposed to a hearing at this time and urges the Department to deny LOL's request.

It is our understanding that Ed Hunter's group will be releasing its most recent manufacturing cost study in November 2004. In addition, because of the volatility of energy costs, these figures should be updated as well.

It makes little sense to grant a hearing at this time when soon-to-be-released cost data and requested updates could significantly change the figures in LOL's petition as well as in alternative proposals.

I also want to again express our concern regarding the whey cost study. Not having a plant that accounts for 25% of dry whey production included in the study raises serious questions about the resultant weighed average cost. In addition, through discussions with Mr. Hunter regarding what is included in the cheese plant costs and the whey costs, it appears that some double-dipping may have occurred – the same cost allocated in both the cheese costs and the whey costs. Since the Class 4b formula now includes a whey factor and a whey make allowance, no cost related to whey should be included the cheese cost data.

Therefore, the Alliance urges CDFA to deny LOL's petition and to modify both whey and cheese cost data as necessary to ensure that double costing does not occur.

Sincerely,

Jim Tillison, CEO

cc: Alliance Board of Directors